

**FIRST JUDICIAL DISTRICT
PUBLIC DEFENDERS' OFFICE
CADDO PARISH, LOUISIANA
JUNE 30, 2012**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date **FEB 27 2013**

FIRST JUDICIAL DISTRICT
PUBLIC DEFENDERS' OFFICE
CADDO PARISH, LOUISIANA

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the financial performance of the First Judicial District Public Defenders' Office, Caddo Parish, provides an overview of the Office's financial activities for the year ended June 30, 2012. Please read it in conjunction with the Office's financial statements, which begin on Page 3.

USING THIS REPORT

This report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on Pages 3 and 4) provide information about the activities of the Public Defenders' Office as a whole and present a longer-term view of the Office's finances. For governmental activities, the fund statements tell how these services were financed in the short-term as well as what remains for future spending.

Reporting the Public Defenders' Office as a Whole

Our analysis of the Office as a whole begins on Page 3. One of the most important questions asked about the Office's finances is, "Is the Public Defenders' Office as a whole better off or worse off as a result of the period's activities?" The Statement of Net Assets and the Statement of Activities report information about the Office as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current period's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Office's *net assets* and changes in them. You can think of the Office's net assets - the difference between assets and liabilities - as one way to measure the Office's financial health, or *financial position*. Over time, *increases or decreases* in the Office's net assets are one indicator of whether its *financial health* is improving or deteriorating.

Reporting the Office's Most Significant Funds

The fund financial statements also begin on Page 3 and provide detailed information about the most significant funds - not necessarily the Office as a whole. Some funds may require to be established by State law and by bond covenants.

Governmental funds (General Fund) - All of the Office's basic services are reported in a governmental fund, which focuses on how money flows into and out of this fund and the balances left at period-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term* view of the Office's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Office's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* in a reconciliation included on the financial statements and in Note 1.

THE PUBLIC DEFENDERS' OFFICE AS A WHOLE

The figures reflecting net assets can be used to indicate the Office's financial position at that time or over a period of time. At the close of the most recent fiscal period, the Office's net assets totaled \$71,630. Of this figure, \$37,259 is its investment in capital assets such as equipment, furniture, computers, etc. The remaining portion of net assets, \$34,371, is unrestricted assets that are available to provide services to the citizens the Office was established to serve in Caddo Parish. The Office's total net assets changed from June 30, 2011, decreasing by \$508,023, or 88%. Net assets are shown below.

	<u>Governmental Activities</u>
Current and other assets	342,048
Capital assets	<u>37,259</u>
Total assets	379,307
Current and other liabilities	<u>307,677</u>
Net assets	
Invested in capital assets, net of related debt	37,259
Unrestricted	<u>34,371</u>
Total net assets	<u>71,630</u>

THE OFFICE'S FUNDS

The governmental activities of the Office include all activities of the Office as required by law and are funded by court costs, fees paid by defendants, and grants from the state LIDAB. Major expenditures of the Office, as well as revenues, for the year ended June 30, 2012 are shown below.

	<u>Governmental Activities</u>
Expenditures	
Salaries and related benefits	2,529,122
Operating services	567,924
Travel and professional development	12,333
Depreciation	<u>16,805</u>
Total expenses	3,126,184
Revenues	
Court costs (fines and forfeitures)	328,010
Charges for services	1,313,851
State grants	969,084
Other income	<u>7,216</u>
Total revenues	<u>2,618,161</u>
Change in net assets	(508,023)
Net assets, beginning of period	<u>579,653</u>
Net assets, end of period	<u>71,630</u>

Total revenues decreased \$492,545, from total revenues in 2011 of \$3,110,706 to total revenues of \$2,618,161 in 2012. The decrease in revenue was attributable to the decrease in state funds and a decrease in fines revenue.

In addition, total expenses decreased by \$191,812 from total expenses in 2011 of \$3,317,996 to total expenses of \$3,126,184 in 2012. This decrease was attributable to a decrease in salaries and benefits of \$167,190, and a decrease in operating costs of \$24,622.

CAPITAL ASSET ADMINISTRATION

The Office's capital asset investment assists in carrying out the mandated functions of the Office. This investment, net of allowance for depreciation, as of June 30, 2012 was \$37,259. This investment includes buildings, equipment, and fixtures. There were capital asset additions for the year ended June 30, 2012 in the amount of \$5,362, which was additional computer equipment.

CONTACTING THE OFFICE'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Office's finances and to show the Office's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the First Judicial District Public Defenders' Office's office at 400 Travis Street, Suite 2000, Shreveport, Louisiana 71101.

AUDITED FINANCIAL STATEMENTS

HEARD, McELROY, & VESTAL

LLC

CERTIFIED PUBLIC ACCOUNTANTS

333 TEXAS STREET, SUITE 1525
SHREVEPORT, LOUISIANA 71101
318-429-1525 PHONE • 318-429-2070 FAX

December 29, 2012

The Chief Defender
First Judicial District Public Defenders' Office
Caddo Parish, Louisiana

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities and the major fund of the First Judicial District Public Defenders' Office as of and for the year ended June 30, 2012, which collectively comprise the Office's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the First Judicial District Public Defenders' Office's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the First Judicial District Public Defenders' Office as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 1 through 11 and 14 and 15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of

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America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Heard, McElroy & Vestal, LLC

FIRST JUDICIAL DISTRICT
PUBLIC DEFENDERS' OFFICE
GOVERNMENT WIDE STATEMENT OF NET ASSETS
JUNE 30, 2012

<u>ASSETS</u>	<u>Governmental Fund Balance Sheet</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
Cash	45,961	-	45,961
Investments	144,197	-	144,197
Receivables	151,890	-	151,890
Capital assets, net of allowance for depreciation	<u>-</u>	<u>37,259</u>	<u>37,259</u>
Total assets	<u>342,048</u>	<u>37,259</u>	<u>379,307</u>
<u>LIABILITIES AND FUND EQUITY</u>			
<u>Liabilities</u>			
Accounts, salaries, and other payables	14,772	-	14,772
Accrued compensated absences	<u>-</u>	<u>292,905</u>	<u>292,905</u>
Total liabilities	14,722	292,905	307,677
<u>Fund equity</u>			
Unassigned	327,276	(327,276)	-
Net assets			
Invested in capital assets, net of related debt	-	37,259	37,259
Unrestricted	<u>-</u>	<u>34,371</u>	<u>34,371</u>
Total fund equity	<u>327,276</u>	<u>(255,646)</u>	<u>71,630</u>
Total liabilities and fund equity	<u>342,048</u>	<u>37,259</u>	<u>379,307</u>

The accompanying notes are an integral part of the financial statements

FIRST JUDICIAL DISTRICT
PUBLIC DEFENDERS' OFFICE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

	Governmental Fund Statement of Revenues and <u>Expenditures</u>	<u>Adjustments</u>	Statement of <u>Activities</u>
<u>Expenditures/Expenses</u>			
Judiciary			
Personal services	2,038,654	-	2,038,654
Related benefits	462,327	28,141	490,468
Travel and professional development	12,333	-	12,333
Operating services	573,286	(5,362)	567,924
Depreciation	-	16,805	16,805
Total expenditures/expenses	<u>3,086,600</u>	<u>39,584</u>	<u>3,126,184</u>
<u>Program revenues</u>			
Charge for services	1,313,851	-	1,313,851
Other charges	<u>328,010</u>	<u>-</u>	<u>328,010</u>
Net program revenues	1,641,861	-	1,641,861
<u>General revenues</u>			
State grants	969,084	-	969,084
Investment earnings	7,216	-	7,216
Miscellaneous	-	-	-
Total general revenues	<u>976,300</u>	<u>-</u>	<u>976,300</u>
<u>Excess of revenues (under) expenditures/ expenses</u>	(468,439)	(39,584)	-
<u>Change in net assets</u>	-	-	(508,023)
<u>Fund equity/net assets</u>			
Beginning of year	<u>795,715</u>	<u>(216,062)</u>	<u>579,653</u>
End of year	<u>327,276</u>	<u>(255,646)</u>	<u>71,630</u>

The accompanying notes are an integral part of the financial statements

FIRST JUDICIAL DISTRICT
PUBLIC DEFENDERS' OFFICE
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2012

Introduction

The First Judicial District Public Defenders' Office was established in compliance with Louisiana Revised Statutes 15 144-149 to provide and compensate counsel appointed to represent indigents in criminal and quasi-criminal cases on the district court level. The Judicial District encompasses the parish of Caddo, Louisiana.

The First Judicial District Fund is domiciled in Caddo Parish, Shreveport, Louisiana. All records of proceedings and official actions (all paper, documents, and records) are kept in Shreveport, Louisiana.

The First Judicial District Public Defenders' Office employs 39 people. There are 23 full-time staff attorneys and 16 contract attorneys. All employees are salaried.

1. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying basic financial statements of the First Judicial District Public Defenders' Office have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accompanying basic financial statements have been prepared in conformity with GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, issued in June 1999.

Financial Reporting Entity

For financial reporting purposes, in conformity with GASB Statement No. 14, the First Judicial District Public Defenders' Office was a part of the District Court System of the State of Louisiana. However, the state statutes that gave each of the Offices' control over all of their operations. This includes the hiring and retention of employees, authority over budgeting, responsibility for deficits, and the receipt and disbursement of funds. The Public Defenders' Office is financially independent and operates autonomously from the State of Louisiana and independently from the District Court System. Therefore, the Office reports as an independent reporting entity and the financial statements include only the transactions of the First Judicial District Public Defenders' Office.

Fund Accounting

The Public Defenders' Office uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain board functions and activities. A fund is defined as a separate fiscal and accounting entity with a self-balancing set of accounts.

Governmental funds account for all of the Public Defenders' Office's general activities. These funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may be used. Current liabilities are assigned to the fund from which they will be paid. The difference between a

1. **Summary of Significant Accounting Policies** (Continued)

governmental fund's assets and liabilities is reported as fund balance. In general, fund balance represents the accumulated expendable resources which may be used to finance future period programs or operations of the Office. The following are the Office's governmental funds:

General Fund: The General Fund is the primary operating fund of the Public Defenders' Office and it accounts for all financial resources, except those required to be accounted for in other funds. The General Fund is available for any purpose provided it is expended or transferred in accordance with state and federal laws and according to board policy.

Measurement Focus and Basis of Accounting

Fund Financial Statements

The amounts reflected in the General Fund are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach is then reconciled, through adjustment, to a government-wide view of Public Defenders' Office operations.

The amounts reflected in the General Fund use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Public Defenders' Office considers all revenues available if they are collected within 30 days after the fiscal year end. Expenditures are recorded when the related fund liability is incurred, except for interest and principal payments on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available resources. The governmental funds use the following practices in recording revenues and expenditures:

Revenues: Court costs on fines and forfeitures imposed by the district and city courts are recorded in the year they are collected by the tax collectors and city courts within the judicial district. Interest earned in investments is recorded when the investments have matured and the income is available. Grants are recorded as revenue during the period in which the related expenditures are incurred. Substantially all other revenues are recorded when received.

Expenditures: Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

Government-Wide Financial Statements

The column labeled Statement of Net Assets and the column labeled Statement of Activities display information about the Office as a whole. These statements include all of the financial activities of the Public Defenders' Office. Information contained in these columns reflects the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange or exchange-like transactions are recognized when the exchange occurs (regardless of when cash is received or disbursed). Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

1. Summary of Significant Accounting Policies (Continued)

Program revenues included in the column labeled Statement of Activities are derived directly from board users as a fee for services. Program revenues reduce the cost of the function to be financed from the Office's general revenues.

The reconciliation of the items reflected in the fund column to the Statement of Net Assets and Statement of Activities are as follows:

Fund Balance, Governmental Fund	327,276
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	37,259
Liabilities for accrued compensated absences that are not due and payable in the current period and, therefore, are not reported in the governmental funds	<u>(292,905)</u>
Net Assets of Governmental Activities	<u>71,630</u>
Excess of expenditures over revenues, Governmental Fund	(468,439)
Compensated absences expense reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds	28,141
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period	<u>11,443</u>
Change in Net Assets of Governmental Activities	<u>(508,023)</u>

Cash and Cash Equivalents

Cash includes amounts in demand deposits, interest-bearing demand deposits, and time deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of three months or less from the date of acquisition. Under state law, the Public Defenders' Office may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

Investments

Investments are limited by Louisiana Revised Statute 33:2955 and the Office's investment policy. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

1. Summary of Significant Accounting Policies (Continued)

At June 30, 2012 the Public Defenders' Office had investments with a carrying amount and fair value of \$144,197 in the Caddo Parish Commission's pooled investment account. Such statutes authorize the Caddo Parish Commission to invest in direct obligations of the United States Treasury, United States Government Agency Obligations, Louisiana Asset Management Pool (LAMP), or certificates and time certificates of deposit of state banks organized under the laws of Louisiana and national banks having their principal office in the State of Louisiana.

At June 30, 2012, the Caddo Parish Commission's investments, with the exception of LAMP investments, were considered to be Category 1, which includes investments insured, Registered or held by the Caddo Parish Commission or its safekeeping agent in the Commission's name. In accordance with GASB Codification 150 165, the investments in LAMP are not categorized in the three risk categories provided by GASB Codification Section 150 164 because the investment is in a pool of funds and, therefore, not evidenced by securities that exist in physical or book entry form.

The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LSA-R S 33 2955. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U S Treasury, the U S Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those investments in A-1 or A-1+ commercial paper.

The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool shares.

LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

Information on the aggregate deposits of the Caddo Parish Commission and how they are secured is available in the financial statements of the Caddo Parish Commission.

Capital Assets

Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets and their estimated fair market value at the date of donation. The Public Defenders' Office maintains a threshold level of \$2,500 or more for capitalizing capital assets. For capital asset additions over \$10,000, State Board approval is required.

Capital assets are recorded in the Statement of Net Assets and Statement of Activities. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public purposes, no salvage value is taken into consideration for depreciation purposes. All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land improvements	10-30 years
Buildings and building improvements	10-40 years
Furniture and fixtures	5-15 years
Computer equipment	5 years
Vehicles	5 years

1. Summary of Significant Accounting Policies (Continued)

Compensated Absences

It is the Office of the Public Defenders' policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid sick leave since the Office does not have a policy to pay any amounts when employees separate from service with the Office. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Vacation is earned based on the number of years of service as follows:

Six months to one year	5 days
Two years to seven years	10 days
Eight years to fifteen years	15 days
Sixteen or more years	20 days

Full-time employees may accumulate vacation benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash. All accrued sick leave credited to an employee can be carried forward to succeeding calendar years without limitation. Accumulated sick leave is forfeited at the time an employee terminates employment. However, accumulated sick leave is counted as creditable service without limit at retirement for employee's retirement benefits covered by the Louisiana Parochial Retirement System.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of any related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

2. Budgets

The Public Defenders' Office followed the following budget practices, as of June 30, 2012:

- (a) The District Defender prepares a proposed budget and submits same to the Louisiana Public Defenders' Board no later than fifteen days prior to the beginning of each fiscal year.
- (b) The public is notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.

2. Budgets (Continued)

- (c) A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted prior to the commencement of the fiscal year for which the budget is being adopted.
- (d) Prior to August 15, 2007, budgetary amendments involving the transfer of funds from one department, program or function to another or involving increases or decreases in expenditures resulting from revenues exceeding or failing to meet amounts estimated required the approval of the Board. Effective August 15, 2007 with the enactment of new law, these approvals are now submitted to Louisiana Public Defenders' Board.
- (e) Budgetary appropriations lapse at the end of each fiscal year.

The original budget was amended once for the year ended June 30, 2012.

3. Cash and Cash Equivalents

At June 30, 2012, the Public Defenders' Office had cash and cash equivalents (book balances) as follows:

Interest-bearing demand deposits	45,911
Petty cash	<u>50</u>
	<u>45,961</u>

These deposits are maintained in the Caddo Parish Commission's pooled cash account. All deposits of the Caddo Parish Commission are held by area financial institutions. Under state law, cash deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The fair value of the securities plus the federal deposit insurance must at all times equal the amount of the deposit with the fiscal agent. At June 30, 2012, the Caddo Parish Commission's deposits with banks were fully secured by federal deposit insurance and securities held by the pledging financial institution.

4. Investments

Louisiana Revised Statutes and the Public Defenders' Office's investment policy govern the procedures to be followed and the types of allowable securities to be purchased by the board. The Office has no specific policy defining levels of risk and amounts of investments they invest at any given time. Investments are categorized into these three categories of credit risk:

- 1. Insured or registered, or securities held by the Public Defenders' Office or its agent in the Office's name.
- 2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Office's name.
- 3. Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Office's name.

Investments not subject to categorization include investments in an external investment pool. At June 30, 2012, the fair value/carrying amount was \$144,197.

5. **Receivables**

Receivables of \$151,890 at June 30, 2012 are classified as Program Revenues, Other Charges in the general fund

All receivables are considered fully collectible and, therefore, no allowance for uncollectible amounts is provided. If amounts become uncollectible, they are charged to operations when that determination is made.

6. **Capital Assets**

Capital assets and depreciation activity as of and for the year ended June 30, 2012, are as follows:

	<u>Beginning Balance 6/30/11</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance 6/30/12</u>
Governmental Activities				
Computer equipment	108,062	5,362	-	113,424
Furniture and fixtures	159,729	-	-	159,729
Equipment	<u>136,428</u>	<u>-</u>	<u>-</u>	<u>136,428</u>
Total	404,219	5,362	-	409,581
Less accumulated depreciation	<u>(355,517)</u>	<u>(16,805)</u>	<u>-</u>	<u>(372,322)</u>
Capital assets, net	<u>48,702</u>	<u>(11,443)</u>	<u>-</u>	<u>37,259</u>

7. **Pension and Deferred Compensation Plans**

Under the guidelines established in accordance with the Internal Revenue Code Section 457, employees of the Public Defenders' Office participate in the Caddo Parish Public Defenders' 457 401(a) Plan. The 401(a) Plan and contributions to the pre-existing 457 Deferred Compensation Plan are administered by Security Benefit Retirement Corporation. The 401(a) Plan supersedes all other existing plans to which the Public Defenders' Office contributes. The Plan is governed by the laws of the State of Louisiana and is available to all full-time employees.

The amount of monthly contribution for each participating employee under the 401(a) Plan must be greater than or equal to that percent of the employee's compensation which the federal government would require withheld for the Federal Social Security System for employees not participating in a qualified retirement plan. At no time may the contribution fall below 7.5% of the compensation. Vesting provisions allow a participant to be fully vested in the employer's contributions after seven (7) years of service and are eligible to receive distributions from the Plan upon normal retirement, death, or permanent disability.

It is the option of the Public Defenders' legal counsel that the Office is not liable for losses arising from depreciation or shrinkage in the value of any investments acquired under the deferred compensation plan. However, the Public Defenders' Office believes it has the duty of care that would be required of an ordinary prudent investor.

For the year ended June 30, 2012, the Public Defenders' Office had deferred compensation expense of \$188,671.

8. **Accounts, Salaries, and Other Payables**

The payables of \$14,772 at June 30, 2012 are considered to be accounts payable

9. **Leases**

The Public Defenders' Office leases office space and office equipment at the Caddo Parish location. The Office incurred \$232,253 in lease expense for the year ended June 30, 2012. Office space is leased for a term of 120 months (10 years) at an approximate annual expense of \$222,675. Office equipment is leased for terms ranging from 36 months to 60 months (3 to 5 years) at an approximate annual expense of \$9,578.

2013	229,115
2014	231,565
2015	234,018
2016	219,097
2017 and thereafter	<u>879,549</u>
	<u>1,793,344</u>

10. **Governmental Fund Revenues and Expenditures**

Revenues

State Government

Appropriations-general	-	
Appropriations-special	-	
Revenue sharing	-	
Grants	969,084	
On-behalf payments	-	
Other	<u>-</u>	
Total		969,084

Local Government

Appropriations-general	-	
Appropriations-special	-	
Grants	-	
Statutory fines, forfeitures, fees, court costs, and other	328,010	
Taxes-mileages, sales, special, and other	-	
Criminal court fund	-	
On-behalf payments	-	
Other	<u>-</u>	
Total		328,010

Charges for Services 1,313,851

Investment earnings 7,216

Total Revenues 2,618,161

10. Governmental Fund Revenues and Expenditures (Continued)

Expenditures:

Personnel Services and Benefits

Salaries	2,038,654	
On-behalf payments-salaries	-	
Retirement contributions	188,671	
On-behalf payments-retirement	-	
Insurance	260,104	
On-behalf payments-insurance	-	
Other	-	
Total		2,487,429

Operating Costs

Library and research	21,778	
Contract services-attorney/legal	106,000	
Contract services-other	84,987	
Lease-office	222,675	
Lease-autos and other	9,578	
Travel-transportation	12,333	
Insurance	19,979	
Supplies	23,588	
Other	92,891	
Total		593,809

Debt Service

-

Capital Outlay

5,362

Total Expenditures

3,086,600

11. Subsequent Events

We evaluated events and transactions that occurred after the balance sheet date but before the financial statements were made available to be issued for potential recognition or disclosure in the financial statements. We evaluated such events through December 29, 2012 and noted no subsequent events.

REQUIRED SUPPLEMENTARY INFORMATION

FIRST JUDICIAL DISTRICT
PUBLIC DEFENDERS' OFFICE
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2012
(Unaudited)

	<u>Amended/ Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance with Final Budget</u>
<u>Revenues</u>			
Fines and forfeitures	313,000	328,010	15,010
Fees from indigents	1,376,000	1,313,851	(62,149)
State revenues and reimbursements	943,412	969,084	25,672
Investment earnings	<u>2,000</u>	<u>7,216</u>	<u>5,216</u>
Total revenues	2,634,412	2,618,161	(16,251)
<u>Expenditures</u>			
Salaries	1,926,000	2,038,654	(112,654)
Retirement contributions	189,200	188,671	529
Group health insurance	267,000	260,104	6,896
Library and research	21,000	21,778	(778)
Contract services-attorney/legal	106,000	106,000	-
Contract services-other	203,000	84,987	118,013
Lease-office and other	233,000	232,253	747
Education, travel and training	16,500	12,333	4,167
Insurance	20,417	19,979	438
Supplies	25,000	23,588	1,412
Other	61,350	92,891	(31,541)
Capital outlay	<u>5,000</u>	<u>5,362</u>	<u>(362)</u>
Total expenditures	<u>3,073,467</u>	<u>3,086,600</u>	<u>(13,133)</u>
<u>Excess (deficiency) of revenues over expenditures</u>	(439,055)	(468,439)	(29,384)
<u>Fund balance at July 1, 2011</u>	<u>795,715</u>	<u>795,715</u>	<u>-</u>
<u>Fund balance at June 30, 2012</u>	<u><u>356,660</u></u>	<u><u>327,276</u></u>	<u><u>(29,384)</u></u>

FIRST JUDICIAL DISTRICT
PUBLIC DEFENDERS' OFFICE
NOTES TO BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2012
(Unaudited)

- 1 **Budget**
Refer to Note 2 of the financial statements for details regarding the budget process
- 2 **Budget Variances**
Budgeted revenues exceeded actual total revenue, however, by less than 5%, and actual other expenses exceeded budgeted other expenses by 32% or more. This was due to increased technical support and other expenses

OTHER REPORTS REQUIRED BY GOVERNMENT AUDITING STANDARDS

HEARD, McELROY, & VESTAL

LLC

CERTIFIED PUBLIC ACCOUNTANTS

333 TEXAS STREET, SUITE 1525
SHREVEPORT, LOUISIANA 71101
318-429-1525 PHONE • 318-429-2070 FAX

December 29, 2012

The Chief Defender
First Judicial District Public Defenders' Office
Caddo Parish, Louisiana

**Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

We have audited the financial statements of the First Judicial District Public Defenders' Office (Office) as of and for the year ended June 30, 2012, and have issued our report thereon dated December 29, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Office's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Office's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Office's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2012-01 to be a material weakness.

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hmv@hmvcpa.com E-MAIL
www.hmvcpa.com WEB ADDRESS

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Office's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards*, and which is described in the accompanying schedule of findings and questioned costs as item 2012-01.

This report is intended solely for the information of the District Defender, management, and the Office of the Legislative Auditor, and is not intended to be and should not be used by anyone other than these specified parties.

Heard, McElroy & Vestal, LLC

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FIRST JUDICIAL DISTRICT
PUBLIC DEFENDERS' OFFICE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

A. Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the basic financial statements of the First Judicial District Public Defenders' Office.
2. One material weakness is reported for the year ended June 30, 2012
3. One instance of noncompliance was disclosed during the audit
4. The First Judicial District Public Defenders' Office was not subject to a Federal Single Audit for the year ended June 30, 2012

B. Findings – Financial Statement Audit

2012-01

Condition and Criteria As is common in small operations, management has chosen to engage the auditor to propose certain year-end adjusting journal entries and to prepare the audited financial statements. Consistent with this decision, internal controls over the preparation of year-end adjusting entries and audited financial statements, complete with note disclosures in accordance with generally accepted accounting principles, have not been established nor does management have the ability to perform these functions in-house. This condition, even though intentional, represents a material weakness in internal control under current generally accepted auditing standards, and results from management's need to balance the entity's financial complexity with the appropriate level of accounting expertise. It is not cost-effective for the entity to prepare its financial statements in-house.

Effect and Recommendation Although generally accepted auditing standards require preparation of year-end adjusting entries and financial statements with note disclosures by the audited entity, prudent management dictates that the potential benefit from an internal control must exceed its cost. In this case, both management and the auditor do not believe that curing the control deficiency is cost effective, and do not believe that any corrective action is required.

C. Findings and Questioned Costs – Major Federal Award Programs

Not applicable

FIRST JUDICIAL DISTRICT
PUBLIC DEFENDERS' OFFICE
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

Prior Findings – Financial Statement Audit

2011-01 – Internal Control with Regard to Financial Reporting

Internal controls over the preparation of year-end adjusting entries and annual financial statements, complete with notes, in accordance with generally accepted accounting principles have not been established, nor has management demonstrated ability to perform these functions in-house

This material weakness and control deficiency was repeated for the year ended June 30, 2012

2011-02 – Timely Submission of Audited Financial Statements

The current auditor was not engaged until February 2012, therefore, the audit engagement could not be completed and transmitted to the Louisiana Legislative Auditor's office by December 31, 2011
This condition was corrected during the year ended June 30, 2012

FIRST JUDICIAL DISTRICT

PUBLIC DEFENDER OFFICE

MANAGEMENT'S CORRECTIVE ACTION PLAN FOR CURRENT YEAR FINDINGS

FOR THE YEAR ENDED JUNE 30, 2012

2012-01

Statement on Auditing Standards (SAS) 115 requires that we report the above condition as a control deficiency. The SAS does not provide exceptions to reporting deficiencies that are adequately mitigated with nonaudit services rendered by the auditor or deficiencies for which the remedy would be cost prohibitive or impractical.

Management feels the resolution to this finding would be both impractical and cost prohibitive.